

stocks

Aggressive Growth
Stock Fund

cash investments

balanced

BONDS

Vanguard® Small-Cap Index Fund

Investor Shares

Investment Objective

Vanguard Small-Cap Index Fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks.

Investment Strategy

The fund employs a "passive management"—or indexing—investment approach designed to track the performance of the MSCI® US Small Cap 1750 Index, a broadly diversified index of stocks of smaller U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting within the index.

See reverse side for Fund Profile.

Note: On March 28, 2003, the fund's board of trustees approved the adoption of the MSCI® US Small Cap 1750 Index as the fund's new target index. The fund tracked the Russell 2000 Index through May 16, 2003.

Who Should Invest

- Investors seeking long-term growth of capital.
- Investors seeking a simple, low-cost way to invest in small-capitalization stocks.
- Investors with a long-term investment horizon (at least five years).

Who Should Not Invest

- Investors unwilling to accept significant fluctuations in share price.
- Investors seeking significant dividend income.

Assets: \$4,870,516,358

Expenses: 0.27%*

Ticker Symbol: NAESX

Newspaper Listing: SmCap

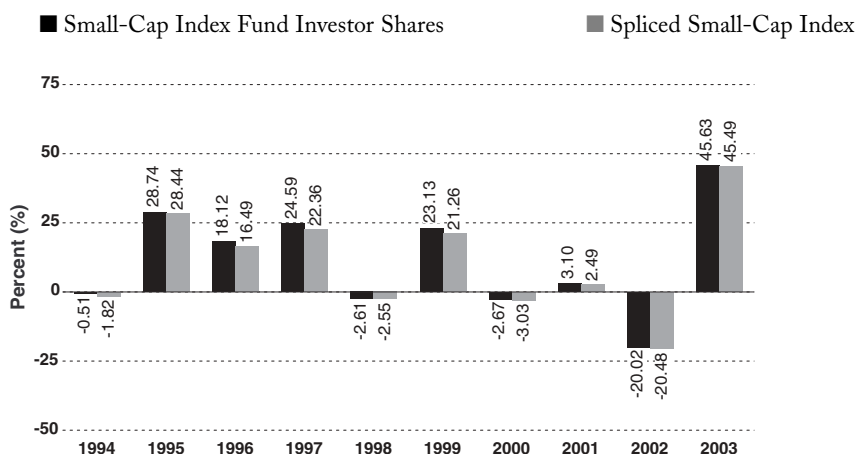
Inception: October 3, 1960

Overall Risk Level:



Performance

Annual Returns 1994–2003 — Small-Cap Index Fund Investor Shares vs. Spliced Small-Cap Index**



Total Returns for Periods Ended December 31, 2003***

	Year to Date	1 Year	3 Years	5 Years	10 Years
Small-Cap Index Fund Investor Shares	45.63%	45.63%	6.29%	7.55%	10.20%
Spliced Small-Cap Index	45.49%	45.49%	5.84%	6.87%	9.34%

*For most recent fiscal year.

**Russell 2000 Index through May 16, 2003, MSCI US Small Cap 1750 Index thereafter.

***Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns.



THE Vanguard GROUP®

Vanguard Small-Cap Index Fund

Investor Shares

Fund Profile

As of December 31, 2003

Top Sector Holdings—Stocks

1. Auto & Transportation	4.3%
2. Consumer Discretionary	17.8
3. Consumer Staples	1.8
4. Financial Services	22.7
5. Health Care	11.9
6. Integrated Oils	0.0
7. Materials & Processing	8.0
8. Other Energy	4.5
9. Producer Durables	8.1
10. Technology	14.4
11. Utilities	5.8
12. Other	0.7

Largest Stock Holdings*

1. NTL Inc.
2. Novell, Inc.
3. United States Steel Corp.
4. PMC Sierra Inc.
5. Invitrogen Corp.
6. International Rectifier Corp.
7. Rite Aid Corp.
8. Sirius Satellite Radio, Inc.
9. Navistar International Corp.
10. Foundry Networks, Inc.

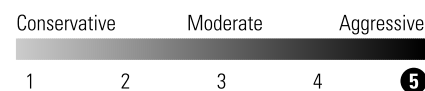
Top Ten as % of Total Net Assets 2.7%

*Fund holdings are subject to change.

A Few Words About Risk

When investing in stock funds, short-term losses (or gains) are common, largely as a result of sudden movements in stock prices as views change about the economy and individual companies. However, over extended periods the market's ups have tended to outweigh its downs. There is no guarantee this will continue. Usually, the longer you hold your investments, the lower your chances of losing money.

Overall Risk Level:



The Small-Cap Index Fund holds stocks of small U.S. companies, which historically have been more volatile in price than larger-company stocks. As a result, the fund carries a higher level of risk than most funds that hold large stocks.

Investment Terms

Dividends: Payments made by companies to investors in their stock. The payments typically depend on economic conditions and the company's financial health.

Expenses: The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

Index Funds: Mutual funds that try to track as closely as possible the performance of a target index (e.g., a large group of U.S. stocks, foreign stocks, or bonds). Index funds may invest in all or a representative sample of the stocks included in the target index.

Market Risk: The chance that the value of an investment will change because of rising (or falling) stock or bond prices.

Mutual Fund: An investment company that combines the money of thousands of people and invests it in a number of securities (stocks, bonds, short-term reserves) to achieve a specific objective over time.

Total Return: The change in the value of an investment, plus any income from interest or dividends. The standard measure of a mutual fund's performance.

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Performance figures include the reinvestment of all dividends and any capital gains distribution. All returns are net of expenses. Return figures reflect past performance, which is no guarantee of future results. The investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than the original cost.

Vanguard funds are offered by prospectus only. Prospectuses contain more complete information on risks, advisory fees, distribution charges, and other expenses and should be read carefully before you invest or send money. Prospectuses can be obtained directly by writing to The Vanguard Group, P.O. Box 2900, Valley Forge, PA 19482-2900; calling 1-800-523-1188; or visiting www.vanguard.com.